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MEMORANDUM FOR: Director of Personnel

FROM:

Liaison Division
Office of Legislative Liaison

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SUBJECT: Third House Committee on Post Office and
Civil Service Hearing on Supplemental
Retirement; 6 March 1984

SUMMARY: The third of five scheduled hearings on supplemental retirement took place today. Federal employee union leaders (non-Postal Service) were the witnesses. The Committee Staff Director told me, prior to the start of the hearing, that the Committee was considering inviting various federal agency heads to testify in a second phase of hearings, to document the requirements that they have for a retirement system, in order to get both sides of the issue on the record. The CIA was one of the agencies that Mr. DeYulia cited as being of interest if such a series of hearings are in fact held.

1. Attached for your information and use is a complete set of documentation resulting from the subject hearing today. The attachments include the witness list and prepared statements of all participants. Also included is a summary attempt at recreating the questions and answers that were posed and offered at varying times during the hearing.

2. Today's hearing was focused on Executive Branch federal employee unions (non-Postal Service). The following unions were represented:

American Federation of Government Employees;
National Treasury Employees Union;
National Federation of Federal Employees;
National Association of Government Employees; and
American Federation of State, County, and Municipal Employees.

The hearing was chaired by Mr. Ford (D,MI) and attended by Ms. Oakar (D,OH) and Ms. Katie Hall (D,IN). Mr. Ford again made reference to the budget cut his Committee has taken and wanted to be sure that the union presidents testifying today fully understood that his inability to move faster on this supplemental retirement issue was beyond his control.

3. Mr. Tom DeYulia, House Committee on Post Office and Civil Service Staff Director, advised today that the next phase of Committee hearings may well involve Executive Branch agencies. Having received federal employee testimony, through their union representatives, during this phase of the hearings, the Chairman may well want to document, on the hearing record, the requirements for retirement systems that several of the federal agencies have, such agencies to include law enforcement (FBI), fire fighters, the State Department, the CIA, and NASA. Mr. DeYulia thought that these second phase hearings, if they take place at all, would probably be held in the May time frame. He did not specifically ask if we would testify, and I did not offer an opinion one way or the other.

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Attachments:
As stated

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The following summarizes the questions asked and answers provided during the course of the House Committee on Post Office and Civil Service hearing on supplemental retirement on 6 March 1984. It is not a complete summary, but rather is intended only to provide a flavor of the exchanges that took place.

Mr. Ford (D,MI) (Chairman of the Committee): I think it is important for you, as federal employee representatives, to understand that the Civil Service Retirement System (CSRS) Trust Fund is thoroughly solvent and getting more solvent every year. This is totally at odds with what the Director of the Office of Personnel Management (OPM) would have you believe. The unfortunate thing is that this Administration has convinced everyone that the CSRS Trust Fund is insolvent, in fact has a \$515 billion unfunded liability, and that this is why reform of the CSRS is so necessary. You all must help get the word out that this is not so, that the CSRS Trust Fund is completely solvent. Unless we can turn around the myth that the Administration has spread, we are going to have an uphill battle. The media only picks up on bad news, and a \$515 billion unfunded liability is certainly bad news. The fact that we tell the media that the Trust Fund is fully solvent is good news, and good news does not sell, and so the media does not give our good news much coverage.

Mr. Ford: My opinion is that the Congress should not allow the incorporation of a thrift plan in any supplemental retirement system if doing so is at the expense of a current benefit. Rather, I feel that thrift plan coverage should only be incorporated in a supplemental retirement plan on an optional basis. Do you agree?

Mr. Tobias (National Treasury Employees Union) and Mr. Blaylock (American Federation of Government Employees): We agree with your position. Thrift plans should only be incorporated on an optional basis, over and above the baseline supplemental retirement coverage, at no cost to current coverages/benefits.

Mr. Ford: I want to make another point about federal employee retirement mythology that this Administration is spreading. The Grace Commission has criticized current federal retirement systems as being too costly, in large part because federal employees are allowed to retire with full benefits at age 55, whereas in the private sector, such is not the case until age 65. In fact, the true and actual retirement ages, on average, in both the public and private sectors is:

62.3 years - private sector employees
62.1 years - public sector employees.

As federal employee representatives, you can best serve the needs of your employees by helping to ensure that the true facts about these issues are effectively communicated to the general public. The Administration is actively spreading its mythologies, and if you don't set the record straight, you will not be successful in obtaining your supplemental retirement objectives.

Ms. Oakar (D,OH): To all of you gentlemen, would your union members prefer a supplemental retirement plan based upon a defined benefits structure or a defined contribution structure?

All:a resounding defined benefits answer was provided by all. Some were more eloquent in their responses than others, but the answers were essentially the same.

Ms. Oakar: How do your members feel about a supplemental thrift plan?

National Federation of Federal Employees: We think such a plan would be beneficial, but only so long as it is over and above the level of comparable existing benefits.

National Association of Government Employees: We would first want to know what would have to be traded off for this new benefit. If the tradeoff was a major one, meaning that it would cost us some of our existing retirement benefits, the answer would be no.

National Treasury Employees Union: We would only be willing to accept it if it was voluntary and if it was an add-on, over and above existing benefit levels.

American Federation of Government Employees: It would make a good third tier of a supplemental retirement plan, but it would have to be over and above existing benefit levels.

Ms. Oakar: Concerning the total compensation approach, how do your members feel about the position that OPM has taken on the issue?

National Treasury Employees Union: Mr. Devine and the Administration are trying to isolate the federal employee's most attractive benefit, and having done so, attack it as though it were the only federal employee benefit at issue.

All (some more articulately than others): The total compensation approach is the only intelligent way to discuss and establish federal employee pay and benefits. The only sticking point, and with this Administration it is the showstopper, is the methodology used in trying to determine comparability. We and OPM cannot agree on the way one should approach comparability between the public and private sectors, the basis for determining the key components of a total compensation concept.

Ms. Hall (D,IN): Do your groups support survivor and disability benefits for former spouses of retired or retiring federal employees, specifically those former spouses that are not married to the federal employee at the time that he/she retires?

All: After a good deal of hemming and hawking, each representative stated that the issue posed by Ms. Hall was a very real one, that a solution needed to be found for the problem, but that their group did not as yet have a firm recommendation to make at this time.

Ms. Oakar: What type of problems result from the creation of differing retirement benefit levels within the same work group?

American Federation of State, County, and Municipal Employees (AFSCME): We find it extremely difficult to explain to our members why one receives a higher benefit level than another co-worker, often doing exactly the same work, when the only difference between them is the date they started working for the employer (the State of New York was cited as an example). We also find that the creation of different benefit levels (in this case, retirement benefits) creates tremendous administrative burdens for employers.

Ms. Oakar: Why do so many state and local governments provide more compensation in the form of retirement benefits than as direct current compensation (salary)?

AFSCME: In our experience it is easier for state and local governments to sell deferred compensation increases to their legislatures or boards of supervisors than to sell salary increases. So many state and local governments have long-standing "pay caps" that the only way they can stay competitive in the labor market, which they know they have to, is to increase their retirement benefits, and then strongly advertise that their "total compensation package" is competitive. The legislatures seem to accept a deferred budget increase over an immediate one.

Ms Oakar: What is your position on supplemental thrift plans?

AFSCME: They are obviously more attractive to middle and upper-level employees who have the disposable income to invest or set aside. That certainly is not true of the lower-level employee, who needs all of his or her current income for current expenses.